

BIG BUDDY PROGRAM
BATON ROUGE, LOUISIANA
DECEMBER 31, 2011

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Certified Public Accountants

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INDEPENDENT AUDITOR'S REPORT

The Board of Directors
Big Buddy Program

We have audited the accompanying statements of financial position of Big Buddy Program as of December 31, 2011 and 2010, and the related statements of activities, cash flows, and functional expenses for the year ended December 31, 2011. These financial statements are the responsibility of the Organization's management. Our responsibility is to express an opinion on these financial statements based on our audits. The prior year summarized comparative information shown on the statements of activities, cash flows, and functional expenses has been derived from the Organization's 2010 financial statements and, in our report dated July 13, 2011, we expressed an unqualified opinion on those financial statements.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Big Buddy Program as of December 31, 2011 and 2010, and the changes in its net assets and its cash flows for the year ended December 31, 2011, in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated June 22, 2012, on our consideration of Big Buddy Program's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grants agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Our audit was conducted for the purpose of forming an opinion on the financial statements of Big Buddy Program as a whole. The accompanying supplemental information description of programs on page 15 is presented for purposes of additional analysis and is not a required part of the financial statements. Also, the accompanying supplemental information schedule of expenditures of federal awards on page 16 is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The supplemental information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.


June 22, 2012

BIG BUDDY PROGRAM
STATEMENTS OF FINANCIAL POSITION
December 31, 2011 and 2010

	<u>2011</u>	<u>2010</u>
ASSETS		
CURRENT ASSETS		
Cash (includes savings deposits of \$2,695 and \$2,693 at December 31, 2011 and 2010, respectively)	\$ 42,002	\$ 16,867
Grants and other receivables	178,858	162,949
Prepaid expenses	<u>39,018</u>	<u>45,391</u>
Total current assets	<u>259,878</u>	<u>225,207</u>
PROPERTY AND EQUIPMENT		
Buildings	222,824	219,426
Transportation equipment	161,022	161,022
Furniture and equipment	<u>71,850</u>	<u>66,747</u>
	455,696	447,195
Less accumulated depreciation	<u>(243,657)</u>	<u>(221,629)</u>
	<u>212,039</u>	<u>225,566</u>
OTHER ASSETS		
Refundable deposits	-	1,227
Total assets	<u>\$ 471,917</u>	<u>\$ 452,000</u>

Continued...

	<u>2011</u>	<u>2010</u>
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Short-term loan obligation	\$ 21,356	\$ 21,210
Current portion of long-term loan obligation	49,942	16,037
Accounts payable	32,600	59,265
Payroll taxes and other withholdings payable	1,037	3,116
Accrued salaries	3,533	13,882
Accrued compensated absences	5,299	10,953
Other liabilities	18,733	18,733
Total current liabilities	<u>132,500</u>	<u>143,196</u>
LONG-TERM LIABILITIES		
Long-term loan obligation	49,942	16,037
Less current portion	<u>(49,942)</u>	<u>(16,037)</u>
Total long-term liabilities	<u>-</u>	<u>-</u>
NET ASSETS		
Unrestricted	106,283	160,787
Temporarily restricted	230,959	145,842
Permanently restricted	<u>2,175</u>	<u>2,175</u>
Total net assets	<u>339,417</u>	<u>308,804</u>
Total liabilities and net assets	<u>\$ 471,917</u>	<u>\$ 452,000</u>

See accompanying notes

BIG BUDDY PROGRAM
STATEMENT OF ACTIVITIES
Year Ended December 31, 2011
(With Comparative Totals for 2010)

	2011			2010
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
PUBLIC SUPPORT AND REVENUE				
United Way allocation	\$ -	\$ 172,085	\$ -	\$ 172,085
Donations	177,146	4,353	-	181,499
Grant income	59,551	1,679,180	-	1,738,731
Fees and contract revenue	423,135	-	-	423,135
Other revenue	42,408	-	-	42,408
Transfers in satisfaction of restrictions	1,770,501	(1,770,501)	-	-
TOTAL REVENUE AND RECLASSIFICATIONS	2,472,741	85,117	-	2,557,858
EXPENSES				
Functional expenses:				
Program services-				
Title IV-B Twenty First Century Community Learning Centers	1,275,197	-	-	1,275,197
Title IV-B-2 Mentoring Children of Prisoners	167,416	-	-	167,416
Construction-Coaching Opportunities to Reach Employment	10,473	-	-	10,473
				-

Continued...

	2011			2010
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Child and Adult Care Food Program	3,220	-	-	16,446
Gaining Early Awareness and Readiness for Undergraduate Programs	-	-	-	18,457
Safe and Drug-Free Schools and Communities National Programs/Mentoring Grants	-	-	-	62,902
Other programs	884,211	-	-	724,414
TOTAL PROGRAM EXPENSES	2,340,517	-	-	2,344,870
Fundraising	107,681	-	-	100,243
Management and general	79,047	-	-	59,220
	186,728	-	-	159,463
TOTAL EXPENSES	2,527,245	-	-	2,504,333
INCREASE (DECREASE) IN NET ASSETS	(54,504)	85,117	-	29,255
Net assets - beginning of year	160,787	145,842	2,175	279,549
Net assets - end of year	\$ 106,283	\$ 230,959	\$ 2,175	\$ 308,804

See accompanying notes

BIG BUDDY PROGRAM
STATEMENT OF CASH FLOWS

Year Ended December 31, 2011
(With Comparative Totals for 2010)

	<u>2011</u>	<u>2010</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Increase in net assets	\$ 30,613	\$ 29,255
Adjustments to reconcile increase in net assets to net cash provided by (used in) operating activities:		
Depreciation	22,029	29,475
Increase in receivables	(15,909)	(12,056)
Decrease (increase) in prepaid expenses	6,373	(12,161)
Decrease in payroll taxes and other withholdings payable	(2,079)	(40,172)
Increase (decrease) in accrued salaries	(10,349)	6,792
Increase (decrease) in accrued compensated absences	(5,654)	3,632
Increase (decrease) in accounts payable	<u>(26,665)</u>	<u>2,157</u>
Total adjustments	<u>(32,254)</u>	<u>(22,333)</u>
Net cash provided by (used in) operating activities	<u>(1,641)</u>	<u>6,922</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Deposits refunded	1,227	-
Acquisition of equipment	<u>(8,501)</u>	<u>(22,090)</u>
Net cash used in investing activities	<u>(7,274)</u>	<u>(22,090)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Decrease in unclaimed payments	-	(2,371)
Principal advances on line-of-credit	50,000	-
Principal payments on line-of-credit	(16,097)	(4,480)
Proceeds from short-term borrowing	23,633	23,471
Principal payments on short-term borrowing	<u>(23,486)</u>	<u>(23,669)</u>
Net cash provided by (used in) financing activities	<u>34,050</u>	<u>(7,049)</u>
NET INCREASE (DECREASE) IN CASH	25,135	(22,217)
Cash - beginning of year	16,867	39,084
Cash - end of year	<u>\$ 42,002</u>	<u>\$ 16,867</u>

See accompanying notes

BIG BUDDY PROGRAM
STATEMENT OF FUNCTIONAL EXPENSES
Year Ended December 31, 2011
(With Comparative Totals for 2010)

	2011							2010
Title IV-B	Child and Adult Care Food Program	Mentoring Children of Prisoners Grant	Construction-Coaching Opportunities to Reach Employment	Other Programs	Management and General	Fundraising	Total	Total
Twenty First Century Community Learning Centers								
Salaries	\$ 585,644	\$ -	\$ 105,728	\$ 8,790	\$ 343,526	\$ 33,554	\$ 9,948	\$ 1,087,190
Payroll tax and employee benefits	126,565	-	15,798	-	125,275	12,237	3,627	283,502
Purchased professional services	385,660	1,453	23,830	547	192,437	18,797	5,572	628,296
Other purchased services	113,348	-	10,770	701	119,078	11,632	3,446	258,975
Supplies	63,980	1,767	11,290	435	74,960	-	-	152,432
Special events	-	-	-	-	-	-	84,250	84,250
Other expenses	-	-	-	-	9,382	917	272	10,571
	1,275,197	3,220	167,416	10,473	864,658	77,137	107,115	2,505,216
Depreciation	-	-	-	-	19,553	1,910	566	22,029
	\$ 1,275,197	\$ 3,220	\$ 167,416	\$ 10,473	\$ 884,211	\$ 79,047	\$ 107,681	\$ 2,527,245
								\$ 2,504,333

See accompanying notes

BIG BUDDY PROGRAM
NOTES TO FINANCIAL STATEMENTS
December 31, 2011

A: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of activities

Big Buddy Program is a nonprofit organization operating in the Baton Rouge area, offering children in Pre K through twelfth grade from low-income families the opportunities for recreational, cultural, and educational activities. The Organization is primarily funded by Capital Area United Way; the City of Baton Rouge-Parish of East Baton Rouge; and Federal, state and other private programmatic grants.

Basis of accounting

The Organization prepares its financial statements on the accrual basis of accounting. Under this method of accounting, revenue is recognized when earned or billed, and expenses are recognized when goods or services are received and the obligation for payment is incurred.

Basis of presentation

Financial statement presentation follows the guidance of the Financial Accounting Standards Board Accounting Standards Codification (FASB ASC) 958-205, *Financial Statements of Not-for-Profit Organizations*. Under FASB ASC 958-205, the Organization is required to report information regarding its financial position and activities under three classes of net assets: unrestricted, temporarily restricted, and permanently restricted. Unrestricted net assets are resources that are free of donor-imposed use or time restrictions and are available at the direction of the governing board. Temporarily restricted net assets are resources that are limited by donor-imposed stipulations that either expire by passage of time or can be fulfilled and removed by actions of the Organization pursuant to those stipulations. Permanently restricted net assets are those resources whose use by the Organization is limited to donor-imposed stipulations that neither expire by passage of time nor can be fulfilled or otherwise removed by actions of the Organization.

Comparative financial information

The statement of activities, statement of cash flows, and statement of functional expenses include prior-year summarized comparative information in total but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with accounting principles generally accepted in the United States of America. Accordingly, such information should be read in conjunction with the Organization's financial statements for the year ended December 31, 2010, from which the summarized information was derived.

A: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Contributions and grants

Contributions received, grants, and unconditional promises to give are measured at their fair values and are reported as an increase in net assets. The Organization reports cash gifts and grants and contributions of other assets as restricted support if they are received with donor stipulations that limit the use of the donated assets or grants, or if they are designated as support for future periods. When donor restrictions expire, that is, when the stipulated time restriction ends or the purpose of the restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions. Donor-restricted contributions whose restrictions are met in the same reporting period are reported as unrestricted support.

Use of estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Cash and cash equivalents

For purposes of the statement of cash flows, the Organization considers all unrestricted highly liquid investments with maturities of ninety days or less when acquired to be cash equivalents.

Property and equipment

Acquisitions of property and equipment in excess of \$500 are capitalized. Property and equipment is stated at cost less accumulated depreciation with depreciation being calculated on the straight-line basis over the estimated useful life of the assets as follows:

Buildings	15-39 yrs
Furniture and equipment	5-7 yrs
Transportation equipment	5 yrs

When property is retired or otherwise disposed of, the accounts are relieved of the applicable cost and accumulated depreciation, and any resulting gain or loss is reflected in operations.

Donated personal services

The value of donated personal services provided has not been recorded in the accompanying financial statements. The Organization generally pays for services requiring specific expertise. However, many individuals volunteer their time and perform a variety of tasks that assist the Organization in the performance of its programs and various committee activities.

A: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Donated equipment

Equipment donated to the Organization is recorded at fair market value on the date received.

Income taxes

Big Buddy Program is an organization exempt from income taxes as defined in Section 501(c)(3) of the Internal Revenue Code.

Big Buddy Program applies the standards in FASB ASC 740-10 in accounting for uncertainty in income taxes. Big Buddy Program files a United States return of organization exempt from income tax. The Program's returns for 2008, 2009, 2010, and 2011 are subject to examination by the Internal Revenue Service.

Compensated absences

Full-time employees earn one day of vacation time per month. Employees that do not use all of their vacation time are allowed to carry forward a maximum of 6 days to the following year. Employees terminating their employment with Big Buddy are entitled to be compensated for their accrued vacation pay. Full-time employees also earn one day of sick time each month. Employees are allowed to accumulate up to a maximum of 60 days of sick time. Employees terminating their employment with Big Buddy are not compensated for their accrued sick pay.

A liability for compensated vacation time is provided based upon the number of hours of unused time at the employee's current hourly rate. No liability is accrued for sick leave in accordance with applicable accounting standards.

Receivables and bad debts

Management believes that receivables are collectible in full, and no allowance for bad debts has been provided in the financial statements.

B: ECONOMIC DEPENDENCY

The Organization receives support from a number of sources. Significant among those are the following, reflecting their percent of total revenues provided in 2011 and 2010:

	2011	2010
Capital Area United Way	7%	6%
Department of Education Grants	46%	56%
Department of Health and Human Services Grants	6%	7%
Department of Social Services	1%	1%
Local Foundations	11%	9%

C: FUNCTIONAL ALLOCATION OF EXPENSES

The costs of providing the various programs and other activities have been summarized on a functional basis in the statement of functional expenses. Accordingly, certain costs are charged specifically to a program or function and the remaining costs are allocated among programs, administrative and fund raising based upon estimates of staff time devoted to these functions.

D: PROPERTY AND EQUIPMENT

The following is a summary of property and equipment at cost, less accumulated depreciation:

	2011	2010
Buildings	\$ 222,824	\$ 219,426
Transportation equipment	161,022	161,022
Furniture and equipment	71,850	66,747
	<u>455,696</u>	<u>447,195</u>
Less accumulated depreciation	(243,657)	(221,629)
	<u>\$ 212,039</u>	<u>\$ 225,566</u>

Depreciation expense for 2011 and 2010 was \$22,029 and \$29,475, respectively.

E: CONCENTRATION OF CREDIT RISK

The Big Buddy Program maintains deposits in a local financial institution with balances at times that may exceed the \$250,000 federal insurance provided by the Federal Deposit Insurance Corporation.

F: LEASE OBLIGATION

The Organization leases certain equipment under agreements classified as operating leases. The lease expense under these agreements for the year ended December 31, 2011, was \$6,900 and was \$4,290 for the year 2010.

F: LEASE OBLIGATION (continued)

The following is a schedule by years of future minimum rental payments required under the equipment leases as of December 31, 2011:

Years Ending December 31

2012	\$ 5,294
2013	3,300
2014	3,300
2015	3,300
2016	825
	<u>\$ 16,019</u>

G: NOTE PAYABLE

The Big Buddy Program maintains a \$50,000 line of credit through a local financial institution secured by a mortgage on program facilities located at 1415 Main Street. The line of credit matured on March 13, 2007 and was extended to December 31, 2012. Big Buddy is obligated to make monthly interest payments at 6.5% until maturity on December 31, 2012, at which time all unpaid principal and interest are due.

The Big Buddy Program entered into a financing agreement for its business auto insurance policy premium effective November 14, 2011. The financing arrangement calls for ten monthly installment payments of \$2,472 including principal and interest at 9.95% beginning December 14, 2011.

Interest paid on these obligations totaled \$2,776 in 2011 and \$2,183 in 2010.

H: NET ASSETS

Temporarily restricted net assets consist of funds designated by donors or grantors for specific purposes or programs. A total of \$220,270 at December 31, 2011, and \$136,993 at December 31, 2010, is restricted to use in specific programmatic areas. Also, funded scholarships amounted to \$10,689 and \$8,849 at December 31, 2011 and 2010, respectively.

H: NET ASSETS (continued)

Net assets were released from donor restrictions by incurring expenses satisfying the purpose restrictions specified by donors as follows:

	2011	2010
Purpose restriction accomplished:		
Scholarship program	\$ 2,513	\$ 3,200
Academic Center for Excellence	50,130	-
Day of Mentoring program	4,000	2,646
Wordplay program	77,232	94,113
Community school support program	53,000	40,907
Capital Area United Way	172,085	162,169
Child and Adult food program	3,220	16,446
Child care assistance program	1,475	16,156
Project Achieve	23,538	-
Mentoring programs	192,888	238,034
Teens as Leaders program	10,000	-
Teen Pregnancy Prevention program	-	57,371
After School enrichment program	1,180,420	1,347,519
Total restrictions released	\$ <u>1,770,501</u>	\$ <u>1,978,561</u>

Permanently restricted net assets consist of donations intended to remain in perpetuity, the income from which is restricted to *funding* scholarships. The earnings on these endowments are reported as temporarily restricted for use in funding such scholarships.

As required by generally accepted accounting principles, net assets associated with endowment funds are classified and reported based on the existence or absence of donor-imposed restrictions. The Organization follows the Uniform Management of Institutional Funds Act of 1972 (UMIFA) which was enacted by Louisiana in 1976 and its own governing documents. UMIFA requires the historical dollar amount of a donor-restricted endowment fund to be preserved. In the absence of donor restrictions, the net appreciation on a donor-restricted endowment fund is spendable under UMIFA. The Organization's donors have not placed restrictions on the use of the investment income or net appreciation resulting from the investment of the donor restricted endowment funds, other than those noted above.

Endowment net asset composition as of December 31, 2011, is as follows:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Donor-restricted endowment fund: \$	-	\$ 520	\$ 2,175	\$ 2,695

H: NET ASSETS (continued)

Changes in endowment net assets for 2011 and 2010 are as follows:

Endowment net assets,				
January 1, 2010	\$	-	\$ 517	\$ 2,175 \$ 2,692
Contributions in 2010		-	-	-
Interest earnings in 2010		-	2	- 2
Amounts appropriated for expenditure in 2010		-	-	- -
Endowment net assets,				
December 31, 2010		-	519	2,175 2,694
Contributions in 2011		-	-	-
Interest earnings in 2011		-	1	- 1
Amounts appropriated for expenditure in 2011		-	-	- -
Endowment net assets,				
December 31, 2011	\$	<u>-</u>	\$ <u>520</u>	\$ <u>2,175</u> \$ <u>2,695</u>

I: FEDERALLY ASSISTED PROGRAMS

Federal and State assistance programs represent an important source of funding for Big Buddy. These programs are audited annually in accordance with the "Single Audit Act." Other programmatic audits may be conducted by grantor agencies. Prior audits have not resulted in any significant disallowed cost. However, grantor agencies may conduct or require additional examinations which could result in the cancellation of grants or contracts, the disallowance of costs charged to the grant or require the repayment of any questioned costs identified and such repayments may be material to the financial statements.

J: NON-CASH INVESTING AND FINANCING ACTIVITIES

There were no non-cash investing and financing activities in 2011 or 2010.

K: SUBSEQUENT EVENTS

Subsequent events were evaluated through June 22, 2012, which is the date the financial statements were available to be issued.

SUPPLEMENTAL INFORMATION

DESCRIPTION OF PROGRAMS

Title IV-B Twenty-First Century Community Learning Centers

The Title IV-B Twenty-First Century program accounts for the administration of programs for preK-12th grade students and their families in and out of school hours. The programs provide academic, recreational, and enrichment activities to students in targeted high poverty area schools.

Gaining Early Awareness and Readiness for Undergraduate Programs (GEAR UP)

This grant program is designed to increase the number of low-income students who are prepared to enter and succeed in postsecondary education. The students enter the program no later than the seventh grade. Big Buddy provides the programmatic educational services and monitors their progress throughout high school.

Safe and Drug-Free Schools and Communities – National Programs/Mentoring Grants

This program promotes mentoring for children with the greatest need by assisting them in receiving support and guidance from a mentor in order to improve their academic performance; to improve interpersonal relationships between the children and their peers, teachers, other adults, and family members; to reduce the dropout rate; and to reduce juvenile delinquency and involvement in gangs.

Title IV-B-2 Mentoring Children of Prisoners Grants

The Title IV-B-2 funds account for the administration of the Each One Reach One (EORO) program. EORO provides mentoring activities for children whose parent(s) have been incarcerated.

Construction-Coaching Opportunities to Reach Employment (C-Core)

C-Core funds are used to implement an industry-sponsored mentoring program organized around Community Service Clubs in each program area. The primary focus is involving greater numbers of employers associated with the home building industry as mentors.

Other Programs

The Big Buddy Program accounts for other programs for academics, recreation, and enrichment to children in high poverty areas. These programs are geared toward the social and academic development of our youth. They target children of all ages both in school and out of school.

BIG BUDDY PROGRAM
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
Year ended December 31, 2011

FEDERAL GRANTOR GRANTORS/PROGRAM TITLE	FEDERAL CFDA NUMBER	GRANT YEAR END	PROGRAM OR AWARD AMOUNT	REVENUE RECOGNIZED	TOTAL FEDERAL EXPENDITURES
<u>U. S. Department of Agriculture</u>					
Child and Adult Care Food Program	10.558	9/30/2011	\$ 25,518	\$ 6,065	\$ 3,220
<u>U.S. Department of Education</u>					
Passed Through the Louisiana Department of Education:					
Title IV-B Twenty First Century Community Learning Centers	84.287C	12/31/2011	1,200,000	600,000	600,000
		4/30/2012	1,510,000	580,420	580,420
<u>U.S. Department of Health and Human Services</u>					
Mentoring Children of Prisoners Grant	93.616	09/29/2012	219,877	157,765	157,765
<u>U.S. Department of Justice</u>					
Juvenile Mentoring Program - Construction					
Coaching Opportunities to Reach Employment	16.726	3/31/2012	30,000	24,840	10,473
			\$ 2,985,395	\$ 1,369,090	\$ 1,351,878

Note A: The schedule above is prepared using accrual basis of accounting. This information is presented in accordance with the requirement of OMB Circular A-133, Audits of State, Local Government, and Nonprofit Organizations. Therefore, the amounts presented on the schedule may differ from amounts presented in the basic financial statements.

**INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER
FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS
BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED
IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**

The Board of Directors
Big Buddy Program

We have audited the accompanying financial statements of Big Buddy Program, as of and for the year ended December 31, 2011, and have issued our report thereon dated June 22, 2012. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Big Buddy Program's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Big Buddy Program's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Organization's internal control over financial reporting.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or combination of deficiencies in internal control such that there is a reasonable possibility that a material misstatement of the Big Buddy Program's financial statements will not be prevented, or detected and corrected on a timely basis.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above. However we identified certain deficiencies in internal control over financial reporting, described in the accompanying schedule of findings and questioned costs as items 2011-1, 2011-3 and 2006-1 that we consider to be significant deficiencies in internal control over financial reporting. A significant deficiency is a deficiency, or combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Big Buddy Program's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Big Buddy's response to the findings identified in our audit is described in the accompanying schedule of findings and questioned costs. We did not audit Big Buddy's response and, accordingly, we express no opinion on it.

This report is intended solely for the information and use of the management and board of Big Buddy Program, the Legislative Auditor, and federal and state awarding agencies and is not intended to be and should not be used by anyone other than these specified parties. Under Louisiana R. S. 24:513, this report is distributed by the Legislative Auditor as a public document.

L.A. Champagne & Co. L.L.P.
June 22, 2012

**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH REQUIREMENTS
THAT COULD HAVE A DIRECT AND MATERIAL EFFECT ON EACH MAJOR
PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE IN
ACCORDANCE WITH OMB CIRCULAR A-133**

The Board of Directors
Big Buddy Program

Compliance

We have audited the Big Buddy Program's compliance with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that could have a direct and material effect on each of Big Buddy Program's major federal programs for the year ended December 31, 2011. Big Buddy Program's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to its major federal programs is the responsibility of the Big Buddy Program's management. Our responsibility is to express an opinion on Big Buddy Program's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States of America; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Big Buddy Program's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on Big Buddy Program's compliance with those requirements.

In our opinion, Big Buddy Program complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended December 31, 2011. However, the results of our auditing procedures disclosed an instance of noncompliance with those requirements, which is required to be reported in accordance with OMB Circular A-133 and which are described in the accompanying schedule of findings and questioned costs as item 2011-2.

Internal Control Over Compliance

The management of the Big Buddy Program is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and

grants applicable to federal programs. In planning and performing our audit, we considered the Big Buddy Program's internal control over compliance with requirements that could have a direct and material effect on major federal programs in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Big Buddy Program's internal control over compliance.

Our consideration of the internal control over compliance was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over compliance that might be significant deficiencies or material weaknesses and therefore, *there can be no assurance that all deficiencies, significant deficiencies or material weaknesses have been identified.* However, as discussed below, we identified a deficiency in internal control over compliance that we consider to be a significant deficiency.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct noncompliance with a type of compliance requirement of a federal program on a timely basis. A material weakness in internal control over compliance is a deficiency, or combination of deficiencies, in internal control over compliance such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected and corrected, on a timely basis. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

A significant deficiency in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance. We consider the deficiency in internal control over compliance described in the accompanying schedule of findings and questioned costs as item 2011-1 to be a significant deficiency.

Big Buddy's responses to the findings identified in our audit are described in the accompanying schedule of findings and questioned costs. We did not audit Big Buddy's responses and, accordingly, we express no opinion on the responses.

This report is intended solely for the information and use of the management and board of Big Buddy Program, the Legislative Auditor, federal and state awarding agencies and other pass-through entities and is not intended to be and should not be used by anyone other than these specified parties. Under Louisiana R. S. 24:513, this report is distributed by the Legislative Auditor as a public document.


June 22, 2012

BIG BUDDY PROGRAM
SUMMARY OF AUDIT RESULTS AND
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Year Ended December 31, 2011

A: SUMMARY OF AUDIT RESULTS

1. The auditor's report expresses an unqualified opinion on the financial statements of Big Buddy Program.
2. Three significant deficiencies in internal controls, 2011-1, 2011-3 and 2006-1, relating to the audit of the financial statements are included in the "Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Governmental Auditing Standards*." No items are reported as material weaknesses.
3. No instance of noncompliance material to the financial statements of Big Buddy Program was disclosed during the audit.
4. One significant deficiency in internal controls relating to the audit of the major federal award programs is included in the "Report on compliance with Requirements That Could Have a Direct and Material Effect on Each Major Program and on Internal Control Over Compliance in Accordance with OMB Circular A-133".
5. The auditor's report on compliance for the major federal award programs for Big Buddy Program expresses an unqualified opinion.
6. There is one audit finding, 2011-2, relating to the major federal award programs for Big Buddy Program reported in Part C of this Schedule.
7. The program tested as a major programs is as follows:

U. S. Department of Education
CFDA 84.287C – Title IV-B Twenty-First Century Community Learning Centers
8. The threshold for distinguishing Types A and B programs was \$300,000.
9. Big Buddy Program was determined to be a low-risk auditee.

B: FINDINGS - FINANCIAL STATEMENTS AUDIT

INTERNAL CONTROL

2011-1 Petty Cash

Condition: Big Buddy Program's policies and procedures do not require the use of an imprest system for petty cash reimbursements. Therefore, internal controls over petty cash and related expenditures are not sufficient to adequately safeguard assets from loss through unintentional error or by theft or misappropriation.

Effect: The manner in which petty cash is reimbursed does not provide for adequate reconciliation of expenses paid and there is greater opportunity for the misuse of cash funds. This is significant since Big Buddy routinely uses petty cash to purchase a variety of goods and services particularly fuel for vehicles.

Criteria: Big Buddy Program has a responsibility to establish, implement and maintain adequate controls over petty cash and related expenditures.

Auditor's Recommendation: Big Buddy Program should develop and implement policies and procedures to maintain petty cash and account for expenditures of the cash funds on an imprest basis. A petty cash fund is established in a set amount. Expenses are paid from the fund and receipts and invoices for the expenditures are retained. When the fund is depleted, the receipted expenses are presented for review, approval and reimbursement to restore the cash fund to the original prescribed amount and record the details of the expenses in the general ledger. The primary control is that only properly documented expenses can be reimbursed.

Management Response: Management acknowledges the condition as described above and will develop and implement an imprest based petty cash system.

2011-3 Monitoring

Condition: During the year, Big Buddy reorganized its general ledger chart of accounts providing for only eight to ten expense accounts tailored more to reporting at the budgetary level utilized in many of its larger grant contracts. While this facilitates reporting to some grantors, it diminishes the effectiveness of managerial monitoring of reported financial results.

Effect: A key monitoring control for management is the ability to compare current period revenue and expenses to prior period(s) balances to identify any

adverse trends. In order to be effective, the account classifications cannot be too broad. For instance, significant changes in fuel costs could be obscured when included in a much broader supplies category.

Criteria: Monitoring is an important element of internal control that management uses to identify financial matters requiring attention.

Auditor's Recommendation: Management should reassess the level of detail needed in the general ledger to identify adverse trends by effectively monitoring period to period fluctuations in account balances.

Management Response: Management acknowledges the condition as described above and will reassess the effectiveness of its monitoring controls.

2006-1 Internal Control over Financial Reporting

Condition: We have always assisted management in the analysis and reclassification of various accounts in order to close the books at year end and in drafting the financial statements and related notes as part of our year-end audit process.

Effect: Because our involvement is so key to that process there is an indication that this deficiency in internal control over financial reporting of the Organization meets the definition of a significant deficiency as defined below.

Criteria: Internal controls over financial reporting are those policies and procedures that exist to assure an entity's ability to initiate, record, process, and report financial data consistent with assertions embodied in the annual financial statements, and that financial statements are prepared in accordance with generally accepted accounting principles (GAAP).

Auditor's Recommendation: At this time it is not feasible for the Big Buddy Program to acquire the expertise necessary to actually draft the year end financial statements in accordance with GAAP. Therefore, we propose to continue to assist management in the drafting of those financial statements.

Management Response: Management acknowledges the condition as described above. Although the Big Buddy Program's management does not actually prepare and draft the financial statements, they have the capacity and experience to understand proposed adjustments and to oversee the drafting of financial statements prepared in accordance with generally accepted accounting principles. Management provides all of the information to support adjustments and reclassifications and other information to be included in the financial statements and they understand the financial statement presentation. Therefore, management proposes to continue with the current arrangement for financial statement preparation.

**C: FINDINGS AND QUESTIONED COSTS - MAJOR FEDERAL AWARD
PROGRAM AUDIT**

DEPARTMENT OF EDUCATION

**Title IV-B 21st Century Community Learning Centers; CFDA No. 84.287C; year
ended December 31, 2011.**

INTERNAL CONTROL OVER COMPLIANCE

2011-1 Petty Cash

Condition: Big Buddy Program's policies and procedures do not require the use of an imprest system for petty cash reimbursements. Therefore, internal controls over petty cash and related expenditures are not sufficient to adequately safeguard assets from loss through unintentional error or by theft or misappropriation.

Effect: The manner in which petty cash is reimbursed does not provide for adequate reconciliation of expenses paid and there is greater opportunity for the misuse of cash funds. This is significant since Big Buddy routinely uses petty cash to purchase a variety of goods and services particularly fuel for vehicles.

Criteria: Big Buddy Program has a responsibility to establish, implement and maintain adequate controls over petty cash and related expenditures.

Auditor's Recommendation: Big Buddy Program should develop and implement policies and procedures to maintain petty cash and account for expenditures of the cash funds on an imprest basis. A petty cash fund is established in a set amount. Expenses are paid from the fund and receipts and invoices for the expenditures are retained. When the fund is depleted, the receipted expenses are presented for review, approval and reimbursement to restore the cash fund to the original prescribed amount and record the details of the expenses in the general ledger. The primary control is that only documented expenses can be reimbursed.

Management Response: Management acknowledges the condition as described above and will develop and implement an imprest based petty cash system.

COMPLIANCE

2011-2 Fuel Purchases

Condition: The deficiency in internal control over petty cash noted in Item 2011-1 above resulted in several instances where duplicate receipts for gasoline purchases were submitted for reimbursement resulting in duplicate payments being made and which were in turn improperly included in the request for funds submitted to the Louisiana Department of Education for reimbursement of costs. In our examination of four petty cash reimbursements, we noted eight duplicate receipts charged to petty cash and in turn included in the request for grant funds.

Effect: Duplicate costs were submitted and improperly reimbursed under the grant.

Criteria: Big Buddy Program has a responsibility to assure that costs reimbursed under the grant are allowable. Duplicate payment of direct reimbursable costs with federal funds is not allowed.

Question costs: \$527.07

Auditor's Recommendation: Big Buddy Program should develop and implement policies and procedures to maintain petty cash and account for expenditures of the cash funds on an imprest basis. A petty cash fund is established in a set amount. Expenses are paid from the fund and receipts and invoices for the expenditures are retained. When the fund is depleted, the receipted expenses are presented for review, approval and reimbursement to restore the cash fund to the original prescribed amount and record the details of the expenses in the general ledger. The primary control is that only documented expenses can be reimbursed.

Further, it is recommended that policies and procedures be developed and implemented to purchase fuel with a properly controlled credit cardutilizing a usage log and providing that pump receipts be retained and matched to periodic credit card statements.

Management Response: Management acknowledges the condition as described above and will development and implement an imprest based petty cash system and use a properly controlled credit card for fuel purchases.



Big Buddy Program

1415 Main Street ♦ Baton Rouge, LA 70802-4664
(225) 388-9737 ♦ Fax (225) 346-8441

July 22, 2012

The Big Buddy Program respectfully submits the following corrective action plan for the year ended December 31, 2011.

Name and Address of independent public accounting firm:

L.A. Champagne & Co., L.L.P.
4911 Bennington Avenue
Baton Rouge, LA 70808

Audit period: Year ended December 31, 2011

The findings from the 2011 schedule of findings and questioned cost are discussed below. The findings are numbered consistently with the number assigned to the schedule.

INTERNAL CONTROL

2011-1 Petty Cash

Condition: Big Buddy Program's policies and procedures do not require the use of an imprest system for petty cash reimbursements. Therefore, internal controls over petty cash and related expenditures are not sufficient to adequately safeguard assets from loss through unintentional error or by theft or misappropriation.

Action Taken: Management acknowledges the condition as described above and will development and implement an imprest based petty cash system.

2011-3 Monitoring

Condition: During the year, Big Buddy reorganized its general ledger chart of accounts providing for only eight to ten expense accounts tailored more to reporting at the budgetary level utilized in many of its larger grant contracts. While this facilitates reporting to some grantors, it diminishes the effectiveness of managerial monitoring of reported financial results.

Action Taken: Management acknowledges the condition as described above and will reassess the effectiveness of its monitoring controls.

2006-1 Internal Control over Financial Reporting

Condition: We have always assisted management in the analysis and reclassification of various accounts in order to close the books at year end and in drafting the financial statements and related notes as part of our year-end audit process.

Action Taken: Management acknowledges the condition as described above. Although the Big Buddy Program's management does not actually prepare and draft the financial statements, they have the capacity and experience to understand proposed adjustments and to oversee the drafting of financial statements prepared in accordance with generally accepted accounting principles. They provide all of the information to support adjustments and reclassifications and other information to be included in the financial statements and they understand the financial statement presentation. Therefore, management proposes to continue with the current arrangement for financial statement preparation.

COMPLIANCE

DEPARTMENT OF EDUCATION

Title IV-B 21st Century Community Learning Centers; CFDA No. 84.287C; year ended December 31, 2011.

2011-2 Fuel Purchases

Condition: The deficiency in internal control over petty cash noted in Item 2011-1 above resulted in several instances where duplicate receipts for gasoline purchases were submitted for reimbursement resulting in duplicate payments being made and which were in turn improperly included in the request for funds submitted to the Louisiana Department of Education for reimbursement of costs. In our examination of four petty cash reimbursements, we noted eight duplicate receipts charged to petty cash and in turn included in the request for grant funds.

Question costs: \$527.07

Action Taken: Management acknowledges the condition as described above and will development and implement an imprest based petty cash system and use a properly controlled credit card for fuel purchases.

If there are any questions regarding this plan, please call me at 225-388-9737.

Respectively submitted,

Big Buddy Program



Gaylynne Mack
Executive Director

BIG BUDDY PROGRAM
SCHEDULE OF CORRECTIVE ACTION TAKEN
ON PRIOR YEAR FINDINGS
Year Ended December 31, 2011

2006-1 Internal Control over Financial Reporting

Repeated in current year findings as item 2006-1.